

Message Text

CONFIDENTIAL

PAGE 01 KINSHA 00190 01 OF 02 101330Z

ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00
XMB-02 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01
COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-04 OES-06 SP-02 SS-15 STR-04
TRSE-00 ACDA-07 PA-01 PRS-01 OPIC-03 /109 W
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O R 101202Z JAN 77 ZFF-1

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 1210

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 0190

DEPT PASS EXIM, TREASURY, COMMERCE, OPEC

E.O. 11652: GDS

TAGS: ENRG, ECON, CG

SUBJECT: PETROLEUM SECTOR NEGOTIATIONS: BACK TO SQUARE ONE?

SUMMARY: AFTER A YEAR OF TOUGH BUT FRUITFUL NEGOTIATIONS WITH THE GOZ AND AMONG THEMSELVES, THE FOUR FOREIGN OIL COMPANIES -- MOBIL, TEXACO, PETRO-FINA AND SHELL -- HAD WORKED OUT BY JANUARY 1, 1977 A MUTUALLY SATISFACTORY ARRANGEMENT WHICH WOULD PERMIT THEM TO RESUME MARKETING OPERATIONS IN ZAIRE ON A BASIS WHICH WOULD GIVE THEM 60 PERCENT CONTROL, WITH THE GOZ HOLDING THE REMAINING 40 PERCENT. PRESIDENT MOBUTU WAS EXPECTED TO APPROVE THIS ARRANGEMENT AND THE COMPANIES WERE TO HAVE BEGUN OPERATIONS ON JANUARY 10. INSTEAD, ON JANUARY 7, PRESIDENT MOBUTU DECIDED THAT THE OIL COMPANIES' DEMANDS WERE "UNACCEPTABLE" AND THAT CONSEQUENTLY THERE WOULD BE NO 60-40 SPLIT, BUT RATHER PETRO-ZAIRE WOULD RETAIN COMPLETE CONTROL AND THE COMPANIES WOULD BE COMPENSATED FOR THEIR ASSETS. THE PRINCIPAL ZAIRIAN NEGOTIATOR, MINISTER OF
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINSHA 00190 01 OF 02 101330Z

PORTFOLIO MAMBU, WAS TAKEN COMPLETELY BY SURPRISE BY MOBUTU'S DECISION AND IS UNABLE TO EXPLAIN THE REASONS FOR THIS REVERSAL. THE OIL COMPANIES ARE IN A STATE OF SHOCK. WE HAVE ASKED THE COMPANIES TO HOLD LOOSE WHILE WE ATTEMPT TO GET CLARIFICATION FROM MOBUTU -- WHO UNFORTUNATELY IS NOW UP-COUNTRY AND DUE TO LEAVE JANUARY 11 FOR A MONTH'S TRIP ABROAD. END SUMMARY.

1. AS PREVIOUSLY REPORTED, THE NEGOTIATIONS BETWEEN THE FOREIGN OIL COMPANIES AND THE GOZ AIMING AT A 60-40 PERCENT SPLIT SEEMED TO BE ON THE VERGE OF SUCCESS. IN FACT BOTH THE COMPANIES AND THE ZAIRIAN NEGOTIATORS HAD TOLD US THAT THE COMPANIES COULD RESUME THEIR OPERATIONS ON JANUARY 10. ON JANUARY 8, HOWEVER, THE MINISTER OF PORTFOLIO, MAMBU, CAME TO US IN A STATE OF GREAT EXCITEMENT TO REPORT THAT AT THE PREVIOUS DAY'S CABINET MEETING MOBUTU HAD OVERRULED THE CONCLUSIONS OF THE NEGOTIATORS AND HAD INSISTED INSTEAD THAT PETRO-ZAIRE SHOULD REMAIN IN COMPLETE CONTROL OF PETROLEUM MARKETING. MOBUTU GAVE AS HIS REASON THE PURPORTED FACT THAT THE FOREIGN OIL COMPANIES HAD DEMANDED A CASH PAYMENT FOR THE GOZ'S 40 PERCENT SHARE. MAMBU SAID THAT HE INTERVENED TO TELL THE PRESIDENT THAT THIS WAS NOT THE CASE, BUT MOBUTU INSISTED THAT IT WAS. MOBUTU ALSO SAID THAT HE COULD NOT ACCEPT THE REAPPEARANCE OF MOBIL, TEXACO, ETC. SIGNS THROUGHOUT THE COUNTRY. MAMBU AGAIN TRIED TO POINT OUT THAT THE COMPANIES DID NOT INSIST ON THEIR OWN LOGOS, BUT MOBUTU WOULD NOT LISTEN. HE INSTRUCTED MAMBU TO INFORM THE OIL COMPANIES OF HIS DECISION TO REESTABLISH PETRO-ZAIRE AND TO COMPENSATE THE COMPANIES. MAMBU REMARKED THAT IF IT WERE DIFFICULT TO REIMBURSE THE COMPANIES FOR THE GOZ'S 40 PERCENT SHARE, HOW DID THE GOVERNMENT PROPOSE TO REIMBURSE FOR 100 PERCENT? MOBUTU DID NOT ANSWER THIS QUESTION, BUT RATHER TOLD MAMBU TO WORK OUT A FORN LA.

2. YXAMBU ASKED IF THE EMBASSY COULD INTERVENE TO CHANGE MOBUTU'S MIND; OTHERWISE HE FORESAW "DISASTROUS" EFFECTS ON FOREIGN CONFIDENCE AT THE PRECISE MOMENT WHEN THE LONDON ACCORDS AND THE IMF TALKS SEEMED TO BE GOING SO WELL. THE DCM POINTED OUT

CONFIDENTIAL

PAGE 03 KINSHA 00190 01 OF 02 101330Z

THAT IF SUCH A DEMARCHE WERE TO BE EFFECTIVE, BOTH THE OIL COMPANIES AND THE ZAIRIAN NEGOTIATORS WOULD HAVE TO KEEP THE LID ON THE NEWS OF THE PRESIDENT'S DECISION; OTHERWISE, MOBUTU WOULD BE RELUCTANT TO CHANGE HIS MIND. IT WAS AGREED THAT MAMBU WOULD DO HIS BEST ON THE ZAIRIAN SIDE AND THAT WE WOULD WORK WITH THE COMPANIES.

3. MAMBU INFORMED THE COMPANIES LATER IN THE AFTERNOON OF JANUARY 8 OF MOBUTU'S DECISION. THE AMERICAN COMPANIES CAME STRAIGHT TO THE AMBASSADOR AND PETRO-FINA WENT TO THE BELGIAN EMBASSY, BOHH TO ASK THAT WE SEEK CLARIFICATION FROM MOBUTU. THE AMBASSADOR AGREED AND ASKED IN RETURN THAT THE COMPANIES TRY TO HOLD THE NEWS OF MOBUTU'S DECISION CLOSELY PENDING THE RESULTS OF HIS DEMARCHE. THEN, AS THE AMBASSADOR TRIED TO GET THROUGH TO FOREIGN MINISTER NGUZA, THE DCM CALLED MAMBU, BRIEFED HIM ON THE AMBASSADOR'S TALK WITH THE COMPANIES AND ASKED THAT MAMBU TOO TRY TO GET TO NGUZA TO BRIEF HIM ON THE IMPORTANCE OF THE IMPENDING DEMARCHE. MAMBU FAILED TO GET TO NGUZA AND WENT INSTEAD TO

BISENGIMANA, WHO THEN CALLED THE AMBASSADOR TO SAY THAT HE, BISENGIMANA, WOULD FLY TO BGAABLITE TO ASK THE PRESIDENT TO RE-CONSIDER. HE PROMISED AN ANSWER ON JANUARY 10. MEANWHILE, AFTER AGAIN CONSULTING WITH BISENGIMANA AND THE AMERICAN COMPANIES, THE AMBASSADOR SENT A PERSONAL MESSAGE TO MOBUTU CONVEYING THE COMPANIES' DESIRE TO CONTINUE NEGOTIATIONS.

CONFIDENTIAL

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PAGE 01 KINSHA 00190 02 OF 02 101321Z
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C O N F I D E N T I A L SECTION 2 OF 2 LINSHASA 0190

DEPT PASS EXIM, TREASURY, COMMERCE, OPEC

4. COMMENT: THERE ARE SEVERAL POSSIBLE EXPLANATIONS FOR MOBUTU'S REVERSAL. THE FIRST, THOUGH NOT NECESSARILY THE MOST LIKELY, IS THAGUMOBUTU'S REFUSAL TO ACCEPT THE DEAL WORKED OUT WITH MAMBU IS DESIGNED ULTIMATELY TO GIVE PETRO-FINA CONTROL OVER THE PETROLEUM SECTOR -- A LONG-STANDING BELGIAN GOAL. IN THIS CONNECTION, MAMBU SAID THAT AT THE SAME CABINET MEETING, AND CONJUNCTIVE TO THE THRUST OF THE CURRENT NEGOTIATIONS WITH THE BELGIANS AIMING AT A 50-50 SPLIT OF THE MAJOR PLANTATIONS NOW UNDER CONTROL OF "CELZA" (A GROUP OWNED BY MEMBERS OF THE PRESIDENT'S FAMILY), MOBUTU HAD ALSO ANNOUNCED THAT CELZA WOULD REMAIN ENTIRELY WITHIN ZAIRIAN HANDS AND THAT THE BELGIAN OWNERS WOULD BE COMPENSATED. ON THE FACE OF IT, THIS DECISION WILL CAUSE GREAT DAMAGE TO BELGIAN-ZAIRIAN RELATIONS -- UNLESS MOBUTU HAS IN MIND AN ARRANGEMENT WHEREBY THE GOB WILL SWALLOW THE CELZA DECISION, IN RETURN FOR PETRO-FINA CONTROL OF THE PETROLEUM SECTOR THROUGH A MANAGEMENT CONTRACT WITH PETRO-ZAIRE.

CONFIDENTIAL

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PAGE 02 KINSHA 00190 02 OF 02 101321Z

5. ANOTHER POSSIBILITY IS THAT MOBUTU HAS FOUND HIMSELF FACED WITH INTERNAL CRITICISM FOR BEING PREPARED TO GIVE MAJORITY CONTROL TO FOREIGN OIL COMPANIES. THIS WOULD EXPLAIN HIS REMARK ABOUT FOREIGN LOGOS APPEARING THROUGHOUT THE COUNTRY. THEN, THERE COULD BE A MISUNDERSTANDING. SOMEONE MAY HAVE MISLEAD THE PRESIDENT INTO BELIEVING THAT THE COMPANIES WERE INSISTING ON TOO TOUGH CONDITIONS, WHEREAS IN FACT THE COMPANIES HAVE ACCEPTED MOST ZAIRUAN CONDITIONS. AND LASTLY, MOBUTU'S DECISION COULD BE A BARGAINING TACTIC TO GET A BETTER DEAL FROM THE COMPANIES.

6. IN ANY EVENT, MOBUTU HAS NOT GIVEN MUCH SCOPE FOR A CONTINUED DIALOGUE. ONE WOULD THINK THAT IF HE THOUGHT THE CONDITIONS TOO HARSH, HE WOULD SAY SO AND MAKE A COUNTERPROPOSITM,. THE MESSAGE WE ARE TRYING TO GET THROUGH TO HIM IS THAT WHILE WE RECOGNIZE ZAIRE'S SOVEREIGN RIGHT TO MAINTAIN CONTROL OF ITS PETROLEUM SECTOR, THE REASON WHICH HAS BEEN ADDUCED -- TOO HARSH DEMANDS BY THE OIL COMPANIES -- SEEMS TO BE BASED ON A MISUNDERSTANDING. WE WILL ENCOURAGE CONTINUED NEGOTIATIONS AND CLARIFICATION. WE WILL ALSO POINT OUT THAT NEWS OF THE DECISION TO RETURN TO SQUARE ONE WILL ADVERSELY AFFECT FOREIGN CONFIDENCE IN ZAIRE.

7. BRUSSELS MIGHT TEST GOB REACTION TO MOBUTU'S LATEST DECISION. IF THE BELGIANS ARE AS EXERCISED AS E ARE, THEN OUR FEAR OF A PETRO-FINA PLOY MAY BE OVERDRAWN. IN THIS SAME VEIN, IT WOULD BE IMPORTANT TO GET THE BELGIAN REACTION TO MOBUTU'S DECISION TO HOLD ON TO THE CELZA PLANTATIONS.
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